when on February I,1934, it redeemed its Friar Lands[5] bonds valued at 14,000,000 pesos ($7,000,000).

I boldly asserted in introducing the subject of the public debt that the Philippine Commonwealth starts out in a strong financial position. I repeat that this is true. However, there are one or two flies in the financial ointment. The bonded debt of the Manila Railroad Company roughly calculated is 52,000,000 pesos ($26,000,000). A sinking fund takes care of 3,000,000 pesos ($1,500,000) worth of bonds due in 1937. But in 1939 approximately 21,000,000 pesos ($10,-500,000) of bonds of the railroad are due, and the Philippine Government, as the owner of the capital stock of the railroad, is obligated to redeem the bonds. Absolutely no provision has been made for sinking funds with which to retire these bonds. To meet the emergency, the National Assembly in one of its first measures, enacted in December, 1935, set aside 13,350,000 pesos ($6,675,000) from the Exchange Standard Fund and the assets of the Philippine National Bank to re-deem 16,340,000 pesos ($8,170,000) face value (27,287,000 pesos—$13,643,500, exchange value) of English-held bonds which their owners had offered at twenty per cent discount, thus effecting a saving in principal, interest, and exchange estimated at 17,000,000 pesos ($8,500,000). The Govern-ment is also indirectly obligated for the payment of the Philip-pine Railway bonds, because it has guaranteed the payment of the interest.

From time to time, and imprudently it would seem, the Philippine Government has embarked on ambitious plans for economic development. Officials have not been lacking who have condemned in the strongest possible language the policy of the government in business. But once in, it was not so easy for the Government to get out, without substantial loss.